

NEWCASTLE PRODUCES MILLIONTH PREPAID CARD AND PREDICTS STRONG MARKET GROWTH IN 2007



Newcastle Building Society Prepaid Cards division celebrated its 1st anniversary in 2006 with the production of its millionth card. The Society now has the most MasterCard approved card programmes in the UK market and predicts that the huge growth of 2006 is set to continue into 2007 and accelerate rapidly over the next few years.

Newcastle Building Society's Market Position:

2006 was the year when the UK fully experienced the impact and spread of the prepaid card explosion. The prepaid card market in the US is expected to reach \$347 billion by the end of 2007* and there is every indication that the UK and Europe will follow this upward trend. The industry magazine, Cards International, has forecasted that by the end of 2008 almost every retailer in the UK will be offering prepaid gift cards, and with the systems and experience already in place to embrace this increasing market Newcastle Building Society is well equipped for the anticipated growth of prepaid cards.

By the end of 2006 Newcastle had partnered with a number of providers to produce cards for over 30 schemes**, including Lastminute.com and the Ministry of Sound, and extended its partnership with Flex-e-Vouchers Limited to supply gift cards to seven shopping centres throughout the UK.

As a Principal Member of MasterCard Worldwide, Newcastle holds a licence to issue cards and manage deposit-taking facilities. Its partners specialise in various markets for prepaid cards, including shopping centres, travel, sport, lifestyle magazines and employee reward schemes. Operating under the Maestro® and MasterCard® brands also ensures that the cards issued by Newcastle are accepted at millions of locations worldwide.

The Prepaid card market in 2007:

Over 2006 prepaid cards have become a popular alternative to cash. Customers can load funds on to the cards and top them up online or at outlets such as the Post Office when the funds become depleted.

Prepaid cards are now seen by many as the next logical step toward a cashless society. Using plastic instead of cash is generally regarded as a safer way for children or vulnerable adults to carry money. In many cases the cards offer a function for parents to track where their children are spending their money and chip and pin protection also limits exposure to fraud and ID theft. Once the funds on the cards are spent they must be topped up before using them again.

The cards offer no credit options and in a year when the Bank of England base rate is predicted to reach 5.75% and the country's personal debt is said to be growing at £1 million every four minutes*** the cards could offer a very real solution to curbing out of control spending habits.

Newcastle predicts that in 2007 prepaid cards will see an increase in popularity amongst the so-called "un-banked community" who do not have access to a current account, savings or investments. For these individuals, prepaid cards provide a convenient facility to draw out money from an ATM machine, make purchases in shops or restaurants and online. It is estimated that 12% of British households fall into the un-banked category, and without prepaid cards many would in-

creasingly be denied access to the use of a card and the benefits that come with this.

Newcastle also predicts that these cards will become increasingly popular with employers as a cost effective way to distribute benefits, incentives and salaries. The cards will offer migrant workers, who may not qualify for a UK bank account, a cost effective way to share funds with their families at home.

With the increasing popularity of the cards amongst differing sectors of people within the UK, Newcastle Building Society therefore forecast an acceleration of the market in 2007. Prepaid cards may be considered a more responsible way of spending and Newcastle are committed to offering sensible and practical advice to all customers and will be including financial advice leaflets with selected cards issued in 2007.

Dan Clappison, Head of Managed Cards Services at the Newcastle has helped build an unrivalled reputation for the Society in the prepaid market. He commented:

“The production of our one millionth card, from a standing start in late 2005, is a significant achievement for us and one we can build on going forward. We are at the forefront of this rapidly expanding industry in the UK, and we are confident our customer and card base will continue to grow.

“Our current customer base includes a wide variety of partners, including some well known household names with many more in the immediate pipeline. It is essential for the confidence of card holders that they choose a reputable partner and already Newcastle has proven it has the capability and capacity to bring these innovative products quickly and securely to market.”

Commenting on the advantages of prepaid cards, **John Bushby**, General Manager, Northern Europe, MasterCard Europe, added:

“Besides being simple to purchase and easy to use, prepaid cards are democratising the payment card system in the UK by offering consumers the financial freedom of using a payment card.

“There are many additional applications for the cards. Radio station talkSPORT, for example recently launched a prepaid card for fans travelling to the World Cup, offering them a global currency which they could access anywhere, at anytime and without much of the currency transaction costs associated with withdrawing cash overseas.”

“Consumer demand is playing an important role in fuelling this expansion and we’re delighted to be working in partnership with specialist prepaid card providers and issuers such as Newcastle Building Society as they develop products.”

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Notes for editors:

* Industry specialist David Cavell’s book “The Prepaid Card Revolution”

** Full list of card scheme partnerships can be found below

*** The Daily Express 8th January 2007

Pre-paid cards applications:

- Retail gift cards – Replacement of paper gift token.
- Mobile phone cards – Combined top-ups and payments cards.
- Teen cards – 13-plus age introduced to card holding.
- Sub-prime cards – Un-banked adults cards.
- Travel cards – Safe convenient alternative to travellers cheques.
- Corporate incentive cards – Cards issued direct to employees as reward payments.
- Payroll cards – Salary payment onto card of sub-prime employee.

Partnered card schemes:

Programme Manager	Scheme Name
Affinity Cards Limited / Bluecorner	Bliss
	MaxPower
	Match
	Smash Hits
	Magic FM
	Matrimoney
	i-money
	i-travel
	Liquid
	Confetti Wishlist
	talkSPORT
	Extreme Cred
	Jumbleworld
	Wall to Wall TV
	Lastminute.com
	Ministry of Sound
	Club 18-30 card
Alphyra	Bicester Village Gift Card
Altair Financial	Easykard
	Towah card
Flex-e-Vouchers Limited*	Buchanan Galleries Gift Card
	Bullring Gift Card
	The Mall at Cribbs Causeway
	Festival Place
	Manchester Arndale
	Grafton Centre
	Freshney Place
HQ Gifflex	Dundrum Gift Card
I-neda/fxAuctions	FXA World Card
Grass Roots Group	GrgCard
Perfect Card	Perfect Card Gift Card
Tuxedo Money Plus	Blue Diamond Money Share Card

About Newcastle Building Society:

Newcastle Building Society is the biggest building society based in the North East and one of the strongest mutual building societies in the country. With assets under management of over £3.8bn we are certainly large enough to compete but small enough to care deeply about the needs of our members. We are committed to providing a range of innovative and attractive investment products.

The Newcastle Building Society is committed to remaining mutual and by doing so we feel we are better placed to continue to provide our investors with the quality of service expected from one of the country's strongest building societies.